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Held at the Vienna International Centre, Vienna,
on Wednesday, 8 May 1996, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
6	Mobilization of financial resources for UNIDO programmes (*continued*)	1 - 56
7	UNIDO technical cooperation activities in 1995 including operational activities for development (*continued*)	
8	Second Industrial Development Decade for Africa	57 - 125
9	Industrialization of the least developed countries	
10	Field representation	

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The meeting was called to order at 10.15 a.m.

MOBILIZATION OF FINANCIAL RESOURCES FOR UNIDO PROGRAMMES (*continued*)
(IDB.15/7)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1995 INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT (*continued*)
(IDB.15/13; IDB.15/CRP.5)

1. **Mr. HOSSEINZADEH** (Islamic Republic of Iran) said that it was well known that the investments made in many developing countries to create an appropriate infrastructure had failed due to lack of technical know-how. Those countries were now seeking an efficient mechanism to rehabilitate and modernize the capacities earlier established in order to participate successfully in the globalization process. In that connection UNIDO, by virtue of its mandate, and the functions set forth in Article 2 of its Constitution, had an important role to play, particularly in the area of capacity-building and renovation of economic investments.

2. His delegation supported the high-impact integrated programmes listed in chapter IV of document IDB.15/13 which might be useful for capacity-building, as well as UNIDO's build-operate-transfer activities. It would also encourage the Organization to increase its efforts to produce appropriate guidelines on the development, negotiation and implementation of procedures for involving the private sector of developing countries, both as beneficiary and counterpart, in those activities, in accordance with criterion (f) in paragraph 10 of that document.

3. His delegation appreciated the programme involving new technology for the abatement of global mercury pollution but, in view of the activities of such organizations as UNEP and FAO in the area of pesticides and hazardous chemicals, it wondered why UNIDO had not developed a comprehensive programme to address all hazardous and restricted chemicals or involved itself in joint programmes with UNEP and FAO, such as UNEP's programme on ozone-depleting substances within the framework of the Montreal Protocol.

4. **Mr. KOC** (Turkey) stressed his Government's continuing interest in UNIDO's project to establish cleaner industrial production centres for the Mediterranean and Black Sea areas. It had remained in constant touch with the Secretariat on that issue, conveying its views on and approaches to the establishment of such centres, and had already indicated that the Ministry of Environment and the Turkish Scientific and Research Council would be the points of contact in Turkey.

5. Turkey remained prepared to host such a centre, which would be established in cooperation with UNIDO and in line with resolution GC.6/Res.7.

6. For over 20 years the Turkish Government had organized annual in-plant group training courses in cooperation with UNIDO, within the framework of technical cooperation and human resource development. Despite budgetary difficulties, the Turkish Government had always completed its contribution to IDF for those courses on time. It was prepared to make its 1996 contribution as usual but had received an indication from the Secretariat of a certain unwillingness on the part of UNIDO to make its contribution. Those courses had largely benefited LDCs and had contributed significantly to the know-how, expertise and technical capacity of the participants from such countries; that in turn had been useful for the implementation of UNIDO's tasks in that area. It was therefore to be hoped that UNIDO would remain willing to play its part in the implementation of the training programmes in Turkey.

7. The project jointly initiated with UNIDO on the establishment of a hydrogen energy technology centre in Turkey had proceeded satisfactorily. An expert group meeting was planned for the end of May 1996 with the participation of experts from various countries and from UNIDO, to review the feasibility study on the establishment of the centre, analyse its main functions and programme and make the necessary recommendations.

8. **Mr. AL-FARDAN** (United Arab Emirates) said that the Board was meeting at a critical time in the life of the Organization because of its severe financial constraints. The Organization's future depended upon its ability to overcome those difficulties and on being able to count on the political will and determination of Member States to enable it to accomplish its difficult task. The United Arab Emirates had supported UNIDO politically and financially because it believed in the Organization's mission to industrialize developing countries and it reaffirmed its commitment to and support for UNIDO.

9. He noted with satisfaction the Director-General's proposals in document IDB.15/7 calling for the development of different modalities of funds mobilization and the expansion of contacts with industrial enterprises with a view to mobilizing funds in support of UNIDO activities and expressed the hope that the special programme for the industrial development of the Arab region was

also a focus of the Organization's attention and that there was close linkage between UNIDO and the developing countries in matters involving technical cooperation, given the industrial development requirements of those countries.

10. His delegation had noted a certain degree of pessimism in document IDB.15/12 regarding field representation, undoubtedly due to the Organization's financial difficulties; while it understood those difficulties, it believed that the field offices played an important role in developing cooperation in developing countries. It therefore called for more field offices in developing countries, since many host countries were in a position to help cover the expenses thereby incurred. Associate experts should be assigned to Arab countries where no field representation was established.

11. His delegation endorsed the recommendations of the Asian and African Groups with regard to the industrialization of the least developed countries and the Second Industrial Development Decade for Africa.

12. **Mrs. LAJOUS** (Mexico) said that, in analysing the problem of the mobilization of financial resources, the Board should bear in mind the significant decline in the role of the UNDP indicative planning figure (IPF) resources in recent years as the central fund for technical cooperation in the United Nations system. For UNIDO, that source of funds had decreased, according to document IDB.15/7, from over 55 per cent of technical cooperation delivery in 1990 to 19.2 per cent in 1995.

13. Her delegation had therefore noted with satisfaction the Organization's efforts to test innovative funding mechanisms and explore other sources of funding. The agreement to be signed in the course of 1996 with the European Union was particularly important in that regard. The Director-General should also continue his discussions with the various regional banks. The contacts with the Multilateral Fund for the Montreal Protocol were of special interest, as Mexico attached priority to the area concerned.

14. In order that Member States might be kept informed of the amounts and use of extrabudgetary resources, a document should be prepared regarding agreements signed with international financial institutions, the projects approved and the amounts involved.

15. **Mr. SOROUR** (Egypt) said that his delegation fully supported UNIDO's efforts to mobilize financial resources for its programmes and to cooperate further with large international enterprises to mobilize resources on a regular basis.

16. It specifically welcomed the efforts to speed up negotiations with the Common Fund for Commodities and to develop projects for financing from the Global Environment Facility, as well as cooperation with UNICEF. It was to be hoped that the negotiations in those areas would be as successful as the contacts with the Multilateral Fund for the Montreal Protocol had been. In that connection, UNIDO should accelerate its negotiations with the African Development Fund in the context of efforts to promote the industrialization of the African continent, bearing in mind the linkages between agriculture and industry.

17. The Egyptian delegation welcomed UNIDO's new policy within the overall restructuring effort of integrating resource identification in the programme development phase. It hoped that the required results would be achieved and that the Board would receive a report on the subject at future sessions, together with reports on any projects developed and agreements concluded.

18. **Mr. BERESNEV** (Russian Federation) said that collaboration between Russia and UNIDO had developed fairly vigorously during the period just elapsed. The number of projects undertaken jointly had increased and several promising projects were scheduled to start up in the near future. In general, therefore, there were good prospects for attaining a new, higher level of quality in cooperation activities.

19. Russia attached particular importance to the following aspects of its collaboration with UNIDO: industrial restructuring, especially with regard to privatization and the development of competitive and innovative small and medium enterprises; investment and technology promotion; the establishment of environmentally clean industries; and the formulation of industrial strategy, primarily at the regional level.

20. His delegation was particularly interested in UNIDO's activities in the sphere of technical cooperation and, most specifically, assistance provided to small and medium enterprises, a sector of the economy that was developing rapidly in Russia and was therefore a focus for the Government's attention and support.

21. An important aspect of the Government's support of small and medium business was the establishment of an enterprise information system in Russia. During the 1994-1995 biennium, regional information centres had been set up and brought into operation in 15 regions of Russia and fully installed in a further 21 regions, while organizational and planning work was under way in 14 regions to set up such centres. The Federal

Information Analysis Centre had been established and was operational. One of the most important elements of the next phase in the development of that system was to publicize the new technologies available for enterprise, together with new goods and services. The full-scale operation of the system was expected to greatly facilitate the entry of Russian entrepreneurs into the world market, make Russian technology accessible to foreign as well as national users and enable Russian organizations to take a more active part in the international industrial co-operation programmes undertaken by UNIDO.

22. The establishment of such a system in Russia had made it possible to take advantage of UNIDO experience in the organization of a subcontracting system in a number of countries, the aim of such a system being to enable Russia to evolve a civilized market for industrial cooperation in the country and to establish a mechanism for involving a wide range of Russian companies in implementing State programmes. The experience gained by UNIDO in setting up subcontracting companies in Poland, Slovakia, Hungary, Cuba and elsewhere was instructive in that regard, and Russia was counting on UNIDO's assistance in meeting that complex challenge.

23. His delegation welcomed the Secretariat's work with regard to technology development and transfer and was in favour of reinforcing UNIDO's role in efforts to strengthen mutually advantageous links between developing and transitional countries with respect to the introduction of advanced technologies.

24. His country had considerable experience and potential in research and development in various areas of science and technology, many of which were also of interest to developing countries. Russia was ready to contribute towards making sustainable development a reality by transferring technologies to such countries. It was participating actively in all UNIDO forums devoted to such issues and regarded the organization of "Intechmarts" as having particular practical value. In that regard, Russia was pleased to note that an Intechmart on biotechnology was to be held in autumn 1997.

25. **Mr. H.-K. LEE** (Republic of Korea) said that his delegation had noted the Secretariat's efforts to mobilize financial resources from various sources and welcomed in particular its initiatives to strengthen cooperation with the financial institutions, including the agreement signed in February 1996 with the Inter-American Development Bank. Given that the high quality of UNIDO services was capable of attracting stronger donor interest, he suggested that the high-impact programme approach based on the thematic priorities should continue to be strengthened in the future. Flexibility in the expenditure of financial resources was also essential if the urgent needs of Member States were to be met effectively. His delegation therefore supported UNIDO's aim of bringing the general-purpose convertible segment up to 20 per cent of IDF.

26. His delegation commended the Secretariat on its continuing efforts to strengthen its technical cooperation activities by providing industrial- and technology-related consultancy services as well as technical training for human resources. It also supported UNIDO's decision to take into account such important elements as priority allocation of financial resources, division of responsibility, monitoring and evaluation in order to enhance the efficiency and effectiveness of its technical co-operation services. In view of the limited financial resources for technical cooperation, the decision to give priority to Africa and LDCs was natural.

27. Inter-agency cooperation was also essential for maximizing the effect of technical cooperation activities by avoiding duplication between the agencies concerned. In that connection, his delegation welcomed the United Nations system-wide Special Initiative on Africa launched in March 1996 by the United Nations Secretary-General, as well as UNIDO's supplementary Alliance for Africa's Industrialization. The monitoring and evaluation of technical cooperation activities should be constantly improved, and they should be independent of programme development and implementation considerations. The recent move of the Quality Assurance and Evaluation Branch to general management might strengthen the independent nature of its function.

28. In the context of economic and technical cooperation among developing countries (ECDC/TCDC), the Republic of Korea was prepared to share its experience of industrialization with other developing countries, and to that end the Korean International Cooperation Agency (KOICA) had recently signed a cooperative arrangement with UNIDO for conducting regional workshops on industrial project policies and strategies in developing countries. KOICA planned to hold more regional workshops in the course of 1996 in close cooperation with UNIDO.

29. **Mr. DASQUE** (France) said that his country welcomed the efforts of the relevant services of the Organization to seek new sources of financing, mainly from the international institutions and the private sector, and fully approved the arrangements negotiated with the Montreal Protocol, the World Bank, the Inter-American Development Bank, the Common Fund for Commodities and the Global Environment Facility. Those arrangements would enable the Organization to vary its project portfolio, which was no longer based exclusively on cooperation through UNDP.

30. The idea of converting debts through the financing of priority development projects in a number of countries was a good one in view of the impact of the debt burden on Latin America. His delegation would also encourage the Secretariat to strengthen its links with the private sector in order to increase extrabudgetary funding, and supported the Secretariat's initiative to set up a group of advisers in which the private sector was represented. Cooperation with the private sector would enable the Organization to further develop and strengthen complementarities.

31. The French delegation attached much importance to the item under discussion and believed that the Secretariat should endeavour to ensure equal access to all enterprises wishing to cooperate with UNIDO and see that there was no discrimination against or dominance by any particular industrial group.

32. **Mr. MOHANTY** (India) commended the Secretariat on its comprehensive and informative document on technical cooperation activities in 1995, including operational activities for development (IDB.15/CRP.5). It had been heartening to note that technical cooperation expenditure in 1995 had been higher than in 1994, although it was far below the levels achieved in 1992 and 1993. In view of the shortfall in budgetary resources, the real challenge facing the Organization was to ensure that core activities and programmes were not diluted. Among other activities and programmes, the key areas would be the transfer of technology at fair and affordable prices, and investment promotion. The time had perhaps also come for UNIDO to look into the desirability and feasibility of promoting appropriate industrial policies at the national, regional and global levels.

33. His delegation had noted with satisfaction that the highest expenditure, accounting for 28 per cent of the whole, had been in the area of investment in technology promotion, in which UNIDO was currently associated with a major programme in India.

34. Under the aegis of that programme three major events had been organized in the past two years, the most recent, Intechmart 96, being particularly successful, with more than 600 Indian and foreign companies attending and business in excess of $600 million being transacted. Intechmart had provided an opportunity for Indian small and medium enterprises to sell their technology to their counterparts from other developing countries for the first time. In view of the success of that programme, the authorities hoped to establish an institutional framework as a follow-up to those events and for the organization of future events. The UNIDO Country Director's office would be closely associated in that endeavour. The Indian delegation believed that there was a clear need to strengthen the office by including areas such as investment and technology promotion in the mandate of UCD activities.

35. His delegation appreciated the efforts made by UNIDO in the Asia-Pacific region but had been disappointed to find that there had been a decline in the value of technical cooperation in that region of 11 per cent in 1994-1995 over previous years. It was particularly important that the Special Programme for Asia and the Pacific should be allocated adequate budgetary resources.

36. An India-UNIDO working group had been set up in April 1994 and had made excellent progress. Two important activities, the development of small and medium enterprises and the establishment of an International Centre for the Advancement of Manufacturing Technologies (ICAMT) had been initiated. Funding for small and medium enterprise cluster was being provided by UNDP while the Indian Government had provided trust funds for ICAMT. At a time when UNIDO was facing grave financial problems, the working group arrangement might be a good mechanism for mobilizing resources to fund important activities, and UNIDO might consider entering into similar agreements with other countries.

37. The impact of the Organization's sincere and strenuous efforts to retain its relevance in the area of industrial development at a global level was evident. His delegation had been pleased to note the 10 per cent increase in project delivery in 1995, the 20 per cent increase in donor approval of projects and renewed donor confidence, as evidenced by the 15 per cent upswing in the first quarter membership payments for 1996 as compared with the previous year. Those trends were welcome and he called upon the Organization and Member States to commit themselves to sustaining those levels.

38. **Mr. EFFENDI** (Indonesia) said that the report contained in document IDB.15/7 provided useful information for the mobilization of funds. Though development of new and regular sources of funding was a time-consuming process, the initiatives undertaken in the past two years had yielded results at a time when resources continued to decline. An initiative to develop contacts with large international enterprises should nevertheless be encouraged, as it would further contribute to sources of funding. His delegation fully supported the efforts to engage in further consultations with Governments: such consultations could result in higher quality of proposals and better participation, which in turn would induce stronger interest on the part of donors. For such consultations to be most effective, they should be coordinated throughout the United

Nations system. The Director-General should continue his other efforts to secure sources of financing.

39. Turning to technical cooperation activities in 1995, he noted with satisfaction that UNIDO had been contributing to the formulation of the country strategy notes required for national capacity-building among Member States. As far as UNIDO's technical cooperation with Indonesia was concerned, his Government, in cooperation with the UCD office in Jakarta, had been preparing intensively for the implementation of programmes proposed by the UNIDO mission that had visited the country very recently. The objective of the programmes was to increase Indonesia's competitive edge in industry and trade. In addition, the Government had concluded an agreement with UNIDO on cooperation in broad areas of industrial development.

40. **Mrs. BATACLAN** (Philippines) said that her delegation welcomed the Secretariat's measures to implement the General Conference resolution requesting it to seek new sources of finance for its technical cooperation activities. It endorsed in particular the thrust of the recommendation in paragraph 14 (d) of document IDB.15/7.

41. The thematic priorities of UNIDO were general and comprehensive enough to cover the priorities of Member States. In future, some thought might be given to the possibility of pledging for the thematic priorities and the overall IDF target of $50 million per year.

42. Her delegation would strongly encourage the Director-General to explore further the potentials of ECDC/TCDC and the very important approach of triangular cooperation which was being taken up throughout the United Nations system as well as on a bilateral and multilateral basis.

43. The Philippine delegation fully endorsed the remarks of France concerning the tapping of debt to mobilize resources for industrialization and at the same time address the burdensome debt-servicing problems of many developing countries.

44. Turning to document IDB.15/13 on operational activities for development, her delegation endorsed the ideas put forward and lessons learned, particularly those referred to in paragraph 13.

45. On paragraph 8 of the document, she wished to know what was meant by the statement that the new approach towards project cycle management being introduced as part of the reform process of UNIDO might result in changes to the concept underlying country support strategies and to their specific formulation.

46. **Mr. DE MARIA Y CAMPOS** (Director-General) said that funds mobilization would be fundamental for much of UNIDO's future work, including the new initiatives for Africa, the least developed countries and South-South cooperation. It would be useful to set up a working group enabling the Secretariat to receive guidance from Member States on how to improve the mobilization of funds.

47. Mr. Deroy and Mr. Luetkenhorst would reply to the other questions raised during the debate.

48. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), referring particularly to agenda item 6, said, in response to the comments of the representative of Mexico concerning the need for a document on agreements between UNIDO and other institutions, that he would see no problem in keeping Member States up to date on such agreements.

49. Regarding the proposed agreement with the African Development Bank, he referred to the Director-General's recent travel to Africa and said that efforts were being made to finalize an agreement similar to the one with the Inter-American Development Bank. In that connection the Secretariat would welcome the support of Member States in the region.

50. On the point raised by the French representative concerning debt conversion, he said that that field was being studied and, at the request of individual countries, the Secretariat was working on the issue in cooperation with the World Bank. Regarding the contacts established with industrialists, he said that a group of leading industrialists were interested in the work of UNIDO. There were also national committees for UNIDO in a number of countries, in addition to the joint committees established with certain countries.

51. In reply to the comments of the Romanian representative, he said that he would like to draw attention to the document made available at the meeting held on 2 May regarding Europe and the newly independent States of the former Soviet Union, indicating a substantial number of projects and a substantial volume of technical cooperation for the benefit of Romania that was ongoing or at an early stage of development and there were good prospects for funds mobilization. The meetings of the Joint Committee were held annually. Since the last meeting had been held in September 1995, it seemed reasonable to schedule the next one for September 1996.

52. **Mr. LUETKENHORST** (Secretariat), referring to agenda item 7, said that the representative of the Islamic Republic of Iran had asked why there was no cooperation with FAO or UNEP on the high-impact programme

on new technologies for the abatement of mercury pollution. He said that neither organization had any technical expertise available of relevance to that particular programme. The only body that did have such expertise was the United Nations Department for Development Support and Management Services in New York, which had been consulted. Some Asian countries had expressed interest in the high-impact programme, the first phase of which would be implemented in Africa.

53. In response to another point raised by the representative of the Islamic Republic of Iran the previous day, he said that involvement by firms in developing countries in the implementation and execution of UNIDO projects had been increased successfully. UNIDO had awarded six subcontracts for technical cooperation to the Islamic Republic of Iran in 1995, amounting to some $2.8 million. In the first four months of 1996, three subcontracts had been issued to Iranian firms for a total value of more than $100,000.

54. The question of what UNIDO was doing in the field of hazardous and restricted chemicals would be addressed in a detailed briefing by his technical colleagues. UNIDO cooperated intensively with other international agencies including UNEP, FAO, ILO, WHO and OECD in a number of programmes in that area.

55. The representative of Turkey had referred to indications of an unwillingness on the part of UNIDO to continue in-plant group training courses. UNIDO, aware of the great benefit of those courses, had no intention of discontinuing them, but was now assessing their impact in the different industrial subsectors. One such review had been carried out recently in Africa on Turkey's programme of vegetable and food processing, with positive results. The intention was to bring the courses into line with the newly established areas of programme focus, and partial reorientation of some of the courses might be needed.

56. Replying to the question from the representative of the Philippines on paragraph 8 of document IDB.15/13 concerning country support strategies, he explained that, in the new bulletin issued by the Director-General on guidelines for the management of UNIDO's services, a significant new approach was proposed: in programming future technical cooperation, UNIDO staff members would go out to recipient countries, present the seven thematic priorities and try to match UNIDO's expertise to the priority demands of the recipient countries. Matching expertise with country priorities would be the basis for UNIDO's country support strategy in the future. Concern had been expressed in the past that country support strategies were too analytical and not practical enough.

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.15/6; IDB.15/CRP.2)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.15/19)

FIELD REPRESENTATION (IDB.15/2 and Corr.1)

57. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division) said that the importance of the Second Industrial Development Decade for Africa had been underlined by the twelfth meeting of the Conference of African Ministers of Industry (CAMI) at Gabarone, Botswana, in June 1995, and by the Bureau of CAMI at a meeting at Pretoria, South Africa, in April 1996. The view had been expressed at the latter meeting that the Second IDDA was Africa's own programme and that it should be linked with national private sector programmes and committees. Work at local level should of course be coordinated with the subregional and regional activities of OAU, ECA and the African Development Bank (ADB).

58. Despite UNIDO's financial difficulties it was important to preserve funds for the Second IDDA and, if possible, to increase them from extrabudgetary sources.

59. On the basis of its experience the Secretariat was developing a global strategic framework divided into traditional projects, priority projects and projects with high potential and a multiplier effect.

60. Account should be taken of the recommendations of the Pretoria meeting of the CAMI Bureau on cooperation with multilateral financial institutions, coordination with regional multilateral institutions, including OAU and ECA, preparations for the evaluation of the Second IDDA at its midpoint, and preparations for the thirteenth meeting of CAMI, on the theme "Industrialization in Africa and the Twenty-First Century".

61. Turning to agenda item 9, he said that the issue was one of UNIDO's principal areas of concentration. Technical cooperation on strengthening the development of capacities, investment promotion, the development of human resources, the industrial development of rural areas, small and medium-sized enterprises, development of the private sector and environment and energy were all of concern to LDCs.

62. Those activities had been strengthened in UNIDO's priority area 7 covering the African countries and the LDCs, with particular stress on the link between agriculture and industry and the agro-food industries.

63. Food security and quality of production were given particular attention. Industrial development linked to the well-being of the people would be dealt with in relation to the industries concerned, including textiles and building materials, and to health and education.

64. Following an initial analysis of the situation in a number of LDCs in relation to gold prospecting, a high-impact programme had been developed for seven West African countries for which financial resources were already being mobilized.

65. The biennial meeting of LDCs held before the UNIDO General Conference session provided an opportunity to review results and update objectives. UNIDO was represented in three quarters of the LDCs and was trying to assign a UNIDO Country Director to as many LDCs as possible.

66. On agenda item 10, he informed the Board that as at 1 February 1996 there had been 29 UNIDO Country Directors, 36 Junior Professional Officers and 25 associate experts, totalling 82 Professionals in 42 UNIDO offices. Thirty-six LDCs had either their own UNIDO Country Director or one in a neighbouring country.

67. UNDP had allotted $19 million for the fifth programme cycle, 1992-1996, and $3 million for 1997. However, from 1 January 1998, UNDP would be giving no more support for UNIDO country representation. To meet the shortfall it was intended to call on recipient Member States to contribute in convertible or local currency or in kind. It was also intended to transfer some officials from Headquarters to field offices. However, the aim of 50 field offices was unrealistic and the figure would probably have to be brought down to 20.

68. The recent reorganization of the Secretariat had given responsibility for field offices to the directors of the regional bureaux. Coordination, previously carried out by the Office of the Managing Director of the Division, was now being done by field support activity in the five regional offices at Headquarters. To facilitate the work of field representatives, certain management functions were being decentralized from Headquarters to the field and administrative procedures were being simplified.

69. Under the 1989 memorandum of understanding between UNDP and UNIDO, UNDP representatives were considered as UNIDO representatives in the field. Under the new agreement now being drawn up between UNDP and UNIDO, the UNIDO representative in Member States would be the UNIDO Country Director and, like the representatives of the other specialized agencies, would work in conjunction with the office of the United Nations Resident Coordinator.

70. **Mr. PIRES** (Cape Verde) said that the twelfth meeting of the Conference of African Ministers of Industry had stressed the importance and usefulness of the Alliance for Africa's Industrialization, which would reinforce the United Nations Special Initiative on Africa, concentrating on industrial development, particularly competitiveness and productivity, the processing of Africa's natural resources and its agro-industrial potential.

71. The Alliance would be essential in channelling national and regional efforts on behalf of industrial development in Africa. The African countries should see it as their own instrument for programming and consultation with potential donors such as ADB, the Common Fund for Commodities and individual countries. There would be no overlap between the Alliance programme and the Second IDDA programme; the two were complementary.

72. It was important to stress the need to finance the activities under the Alliance programme.

73. There was a need for continuing consultations between the UNIDO Secretariat, the Director-General and the permanent representatives of African States in Vienna, Geneva and Bonn, where many African States had an embassy.

74. He thanked the Director-General for his efforts in regard to the reform of UNIDO, while stressing the need to retain the Organization's capacity for action, particularly in the developing and least developed countries. His delegation considered that UNIDO field representation was essential in ensuring the success of the programmes carried out jointly with Governments.

75. **Mr. EL GAILANI** (Sudan) said that the Second IDDA recognized the importance of industrialization for Africa. Africa was counting on the Second IDDA and he hoped that despite cutbacks UNIDO would be able to mobilize the necessary financial resources to implement the programmes.

76. The various resolutions of the fourth, fifth and sixth sessions of the General Conference, the General Assembly and CAMI had stressed the need to give top priority to the Second IDDA programmes. Implementation of those resolutions required effective management.

His delegation had full confidence in the staff member responsible for the Decade under the new UNIDO structure, but more staff and experts were needed in the relevant unit if the goals of the Decade were to be achieved.

77. It was important to discuss the Alliance for Africa's Industrialization, whose goals were very close to those of the Second IDDA.

78. Turning to document IDB.15/10 on the industrialization of the least developed countries, he expressed concern at the decline in the process of industrialization in those countries. The gap between rich and poor countries was widening. Most LDCs were in Africa and they were hoping for greater attention from UNIDO in the future. Many of them had made great strides in preparing the plans and infrastructure necessary for their industrial development, changing their economies from public to private ones and their markets from closed to open ones. They were hoping for advisory and technical services from UNIDO to implement their policies.

79. He hoped that the recommendations of CAMI would be implemented. He urged international financial agencies and bilateral donors to give priority to the LDC programme by setting up a special fund. The mobilization of funds for the industrialization of the LDCs should also be improved.

80. **Mr. BAPTISTA DA COSTA** (Observer for Angola) said that the Third Ministerial Symposium on the LDCs held in 1995 had stressed that help from the international community and organizations such as UNIDO remained crucial if LDCs were to graduate into a different group. The international community, especially the developed countries, as well as regional and international financial institutions and private investors, should provide financial and technological support for the development of a sustainable private sector and the accelerated growth of industrial enterprise in those countries. In that regard, it should be borne in mind that the implementation of world trade liberalization agreements following the Uruguay Round could prove unfavourable to the LDCs in the initial stages and that the emergence of newly industrialized economies with unprecedented productive capacities was a further factor intensifying the competitive pressure on LDCs.

81. With the changing role of the State in national economies, increased global competition, limited cash flows due to the globalization of world markets, diminishing development aid, declining foreign direct investment in LDCs, large debt burdens, high population growth and the unsatisfactory state of information and technology in LDCs, the 48 LDCs needed the assistance of a reformed, vibrant and financially secure UNIDO to help them establish the technical and technological capacities required to survive in the next century.

82. While many LDCs had made considerable efforts to promote economic restructuring and private-sector development, reform had been a long process, even in those countries with well-established institutions and legal systems. They therefore needed continuous support to develop and implement their programmes. In that regard, special initiatives should be undertaken to ensure that LDCs were given priority by UNIDO in its various programmes aimed at improving production capacities in selected industrial subsectors, building up institutional capabilities in order to enhance foreign direct development flows and mobilize local resources, and initiating human resource development programmes.

83. The twelfth meeting of the Conference of African Ministers of Industry (CAMI) held in Botswana in 1995 had been an important step in the development of the private sector in Africa, and the development of manufacturing was a significant means of boosting growth in the LDCs and increasing their share in the world economy. Now that the situation of the African economies, especially those of the LDCs, was the main justification for UNIDO's existence, that priority should be reflected in the relative volume of assistance delivered by UNIDO to those countries.

84. Strengthened field representation would enable UNIDO to gain closer contact with clients and provide direct advisory and information services. Stronger field representation could be achieved through continuous dialogue with country-level decision makers, including Government authorities, the private sector and national and regional financial institutions, to increase awareness of UNIDO capabilities and services in the countries concerned.

85. The Board should continue the reform process and, in particular, maintain the UCD programme, which needed to be strengthened for the sake of the developing countries in general and the speedy industrialization of African countries in particular. UNIDO staff members, selected on the basis of their professional experience, should be sent to those countries which clearly lacked sufficiently competent and experienced personnel.

86. The field representation strategy should give absolute priority to the LDCs, especially those in Africa. The Angolan Government needed the permanent presence and active support of UNIDO to assist in the country's reconstruction process, in which UNIDO had an important role to play alongside other agencies of the United Nations system.

87. **Mr. KAGODA** (Uganda) said that many global and national changes, such as increased liberalization of trade and privatization, had taken place since the Second IDDA programme had been drawn up several years back, with the result that many of the national programmes formulated at that time were now irrelevant and could not be fitted into current strategies without major modification. UNIDO should therefore ensure that national IDDA programmes were reviewed and updated to take account of current economic trends.

88. With regard to the proposed Alliance for Africa's Industrialization, he recalled that during an Investors' Forum organized in Kampala in 1995 by UNIDO, the Common Market for Eastern and Southern Africa (COMESA) and the Ugandan Government, a number of joint-venture investment agreements and letters of intent had been signed. While commending those efforts by the UNIDO Secretariat, his delegation requested UNIDO to provide the promised follow-up assistance. The objectives of the Alliance initiative appeared to be similar to those of the Investors' Forum, which was so far yielding positive results. Accordingly, he urged the Secretariat to do its utmost to launch the initiative, which should contribute towards bringing about the rapid industrialization of LDCs in Africa.

89. With regard to the merger of UNIDO and UNCTAD suggested by the Netherlands Government, Uganda was convinced that such a merger would result in the loss or downgrading of some of UNIDO's functions and ultimately lead to the dismantling of one of those organizations. As an LDC, Uganda felt that its industrialization process would be better facilitated and its interests better served if UNIDO were preserved. A merger of the two organizations was barely conceivable in any event since they each had their own mandate, legal status and structure.

90. Concerning field representation, he stressed the importance of the post of UNIDO Country Director, especially in the LDCs. Since Uganda had lost its UCD post to Kenya in 1994, UNIDO activities in his country had virtually ground to a halt. His country had not yet received any positive response to its request to have that post reinstated and, in view of its urgent need for UNIDO's assistance, once again requested the Organization to review the matter.

91. Regarding UNIDO's organizational and staff structure, he noted that the selection criteria applied in making appointments—while reasonable in themselves—did not appear to include special knowledge of the economies, politics, culture and other aspects of the African continent, despite the fact that Africa was a priority region for UNIDO and most of the LDCs were in Africa, and that the new Country Programmes and Funds Mobilization Division was to be a key player in Africa's industrialization. His delegation believed that it would always be possible to find African nationals with the necessary qualities to take up the challenge of serving on the staff of UNIDO.

92. **Mr. SOOS** (Hungary) said that his country had just become a full member of OECD and expected that its membership would facilitate its full integration into the world economy, while also promoting foreign capital investment domestically. That was the spirit in which Hungary had declared at the sixth session of the UNIDO General Conference its intention to increase its role as a donor country and to participate more actively in the industrialization of LDCs. At the same time, however, his Government looked forward to receiving assistance from UNIDO for the promotion of investment activities and environmentally sustainable development.

93. The strengthening of Hungary's status as both donor and recipient had an impact on its cooperation relationship with UNIDO. Both the Hungarian UNIDO National Committee and the Joint Hungary/UNIDO Committee needed to be adjusted to the new requirements, and Hungarian membership of those two bodies should include industrialists from a wider industrial spectrum, thus providing a direct link between private Hungarian companies and UNIDO and making for better communication of Hungarian needs for the services of UNIDO, while at the same time making sources of expertise available to UNIDO within the framework of Hungary's donor activities.

94. The establishment in Budapest of a UNIDO Investment Promotion Service office was aimed at promoting that endeavour by stimulating foreign capital investment in Hungary and encouraging the export of Hungarian technology and know-how to the developing and least developed countries. As part of that initiative, his country wished to plan the IPS office in such a way as to take advantage of UNIDO's World Investment Network System; it was currently examining its financial requirements and the resources available in that connection, and trusted that UNIDO would be willing to help work out the finer details.

95. Hungary was pleased to note that UNIDO had benefited greatly from the current reform process, which had received considerable impetus from the direct involvement of the consulting company Arthur D. Little International, Inc. While agreeing with the Director-General that UNIDO should endeavour to complete its reform in the near future, he stressed that reform was none the less a continuing process and that the most important message emerging from the whole exercise was that UNIDO had proved its ability to respond to the challenge of a rapidly changing environment.

96. The Organization's new structure had definite merits but also appeared to contain old and familiar elements. It remained to be seen how the combining of the country programme and funds mobilization functions would work in practice and whether the new Policy Coordination Office could operate effectively within the Director-General's Office. It was commendable, however, that the Organization had managed to keep the professional capacity of its technical divisions almost intact despite financial constraints. Once the reform process had been consolidated, UNIDO would undoubtedly be a cheaper and less bureaucratic organization with resources concentrated in substantive areas. The fact that staff reduction had been achieved largely through voluntary measures also represented a considerable achievement; otherwise there would have been a lasting loss of morale. In that connection, Hungary appreciated the periodic briefings that had been held during the staff reduction process.

97. With regard to the management of UNIDO's services, he had taken note of the new Director-General's bulletins. The description of the programming services under thematic priorities was a little difficult to follow, but might provide sufficient guidelines for those involved in the process on a daily basis. There appeared to be some conflict between UNIDO's demand-based orientation and the approach chosen for programme and project identification and formulation under the seven thematic priorities. The new approach to dealing with ad hoc requests, however, was simpler and more efficient than the old process. It was to be hoped that the remainder of the project cycle would soon be the subject of a further bulletin and that the transitional period would not affect the implementation of projects in progress.

98. In conclusion, his delegation welcomed the progress made in reforming UNIDO and was confident that the crisis was over. It hoped that the Organization could now concentrate fully on substantive issues and would emerge from the reform process as a fresh and vital partner for the Member States.

99. **Mrs. OK** (Turkey) said that her country had always supported programmes giving priority to the special needs of the LDCs and, in that context, also supported the programme for the Second Industrial Development Decade for Africa and welcomed the efforts undertaken by the Director-General and the Secretariat in that connection. For more than 20 years now, Turkey had been organizing, in cooperation with UNIDO, in-plant group training programmes for participants from LDCs and was willing to continue to do so provided that UNIDO was able to maintain its financial contribution.

100. With regard to field representation, it was her delegation's long-standing view that UNIDO should shift its focus to activities in the field by establishing regional and subregional offices with substantive technical staff, whose qualifications and competence should also be upgraded. The clustering of field offices to serve as regional or subregional centres, as suggested in document IDB.15/12, was a promising approach. Her Government's proposal in that regard was still open, namely to establish the UNIDO office in Turkey as a subregional centre serving the newly independent States as well as other interested States in the region. UNIDO merely had to take the necessary steps in order to benefit from Turkey's offer of expertise and facilities.

101. Regarding the financing of UNIDO field representation, she recalled that one of the main comparative advantages UNIDO had developed as a result of its promotion over the years of private sector investment was its expertise in the field of investment promotion. Its global network of Investment Promotion Service (IPS) offices and regional programmes constituted an undervalued asset and a function whose current revival was most welcome. The Secretariat should accordingly keep the Permanent Missions in Vienna informed about the IPS system, drawing their attention to the fact that it was completely financed by the respective Governments and was a profit-making activity for UNIDO.

102. For its part, UNIDO could turn the comparative advantage represented by the system into a high-impact programme by ensuring that the IPS offices worked more cohesively as a network and thus attracted the broad interest of developing countries' national investment promotion agencies, which could be linked to the IPS offices as part of an expanding global network.

103. Owing to the shortage of funds available for the field office programme and in view of the fact that one of the main tasks of such offices in developing countries should be to promote investment, her delegation considered that organic links could be established between UNIDO field offices and IPS offices where they were present in the same country. IPS offices might also function as field offices. In order to improve the IPS network, however, mediatory computer networks such as Be Net, Bre Net and Euro Info Centre should be introduced, particularly in developing countries in urgent need of foreign capital.

104. A second improvement would be to involve the IPS offices in the preparation of investment forums, which were useful tools for obtaining capital for the investment projects of developing countries, and also in the follow-up to the investment links established through such forums.

105. Thirdly, in order to secure foreign capital, which was as important as domestic capital in industrial investment, UNIDO should approach investment and development banks such as the European Bank for Reconstruction and Development for the funding of projects prepared by IPS offices. Since UNIDO's contribution to an enlarged IPS system did not need to be substantial in financial terms, its 18 per cent charge for project costs should be reduced to 5 per cent.

106. The Investment and Technology Promotion Division should establish a periodical system for assessing the UNIDO investment forum network services, reporting its findings to the Board. Such assessment should take account of the views of the relevant IPS offices.

107. Her delegation believed that IPS offices opened up a wide range of opportunities to countries. Moreover, they could become partially self-sustaining by charging the beneficiaries directly for services offered. That option would reduce the financial burden on the donor countries hosting IPS offices while increasing the accountability of UNIDO *vis-à-vis* the private sector, which was in keeping with UNIDO's increasing focus on that sector.

108. In conclusion, her delegation considered investment promotion to be the most promising avenue for UNIDO's future work and urged the Director-General to keep the Member States informed about developments in that area, to strengthen investment promotion activities by improving the system and to ensure that such activities remained part of UNIDO's mandate.

109. **Mrs. LAJOUS** (Mexico) reiterated her country's support for the Second IDDA and, in particular, for the Alliance for Africa's Industrialization launched by the Director-General. Mexico believed that those initiatives would contribute significantly to the development of Africa and wished them every success.

110. Her country attached particular importance to the promotion of cooperation, especially among developing countries, and believed that UNIDO had a special role to play in that regard. At the regional level, Mexico had launched a major cooperation initiative embracing the Caribbean and Central America. In doing so, it had taken UNIDO's work in that area as its basis and trusted that its initiative would be copied in other parts of the world.

111. **Mr. AL-ZEID** (Saudi Arabia) said that the developing countries attached great importance to UNIDO, the ideal instrument for channelling assistance for industrial development. Among UNIDO's most important programmes were those on the industrialization of least developed countries, field representation and the Second Industrial Development Decade for Africa.

112. Referring to document IDB.15/10, he said that he welcomed the Secretariat's efforts to bring about the industrialization of the least developed countries and appealed to donor countries to provide all possible assistance in implementing the relevant programme. In particular, States should support the construction of infrastructure required to foster an atmosphere conducive to industrial development in the least developed countries. The Secretariat should seek to develop human resources in the least developed countries in order to improve local capabilities and should promote programmes designed to encourage the private sector to engage in industrial development of rural areas, where the majority of the population of such countries resided.

113. Turning to document IDB.15/12, he said his delegation supported the new approach to field representation, particularly joint efforts to formulate country programmes, mobilization of financial resources, the according of new functions to country representatives and decentralization efforts. UNIDO Country Directors should assume responsibility for contacting competent agencies and Governments in beneficiary countries concerning general policy matters, programming and implementation and evaluation of industrial cooperation projects, and should participate in fund mobilization.

114. In the light of the current financial difficulties, the UNIDO Country Director programme would face great obstacles in pursuing its activities, especially after 1 January 1998, when it was expected that financial support from UNDP would come to an end. According to the Director-General's report, if financing proved inadequate after the 1996-1997 biennium, the programme would have to be cut in order to remain within available resources. The target of 50 UNIDO country offices would be impossible to attain in the 1996-1997 biennium, and UNIDO would be unable to maintain more than 30 country offices with full staffing in the current biennium. For the next biennium, it would be obliged to reduce country representation to no more than 20 field offices with full staffing, unless it obtained additional resources. In view of the programme's importance for the developing countries, his delegation hoped UNIDO would discuss the matter further and make changes so that country offices could be established at the regional and subregional levels to enable the greatest number of countries to benefit from their work. He urged Member States, particularly host countries, to increase their contributions to the programme.

115. **Mr. DASQUE** (France), referring to the Second Industrial Development Decade for Africa, said that

Africa was important to France because of its special relationship with that continent and the considerable assistance it provided, which could usefully be supplemented by aid from international organizations. A large number of LDCs were in Africa, and it was precisely in that domain that UNIDO could demonstrate its usefulness and effectiveness. Yet the funds allocated for the programme for the Second IDDA in the 1994-1995 biennium totalled only $10 million, not a large amount and equivalent to only 5 per cent of the total funding for technical assistance. The resources allocated for Africa as a whole amounted to 17 or 18 per cent of total funding for technical cooperation. That amount could and should be increased.

116. Document IDB.15/6 provided interesting information but very little numerical data. His own research had revealed that the IDDA had yielded good results in some countries—Madagascar, the United Republic of Tanzania, Ghana and Uganda, for example—and poorer results in others—Mali, Niger and the Sahel countries. The document failed to mention the European Union as an organization with which UNIDO cooperated on projects in Africa, yet the European Union provided a large amount of development assistance to African countries in the context of the Lomé Convention. A rapprochement between UNIDO and the European Union, both at Headquarters and in the field, could yield positive results.

117. Turning to the subject of the least developed countries, he noted that document IDB.15/10 contained useful information but provided no figures on the amount of technical assistance devoted to those countries. His own information showed that the volume of that technical assistance in 1995 had been $8 million—not a large amount, and equivalent to something less than 8 per cent of the total technical cooperation funding. That raised the question of whether the Least Developed Countries Unit was adequately staffed; in his opinion, it could be further strengthened.

118. Turning to field representation, he applauded the measures adopted by the Secretariat, including the harmonization and simplification of procedures and the centralization of functions by such measures as allowing the UCDs to mobilize external funding for technical assistance projects. The search for alternative solutions had brought forth a number of good ideas that deserved further consideration. It was regrettable, however, that UNIDO's budgetary situation should prevent it from strengthening its field representation. A way of achieving that goal that entailed no financial implications must be sought. The Investment Promotion Services could perhaps serve as intermediaries between Headquarters and Member States for the purpose of disseminating information, promoting activities and gathering data on enterprises in the host country. French entrepreneurs, for example, often lacked information on procedures for bidding on UNIDO projects, but improved coordination between UNIDO Headquarters and its Investment Promotion Service in Paris would give them a better knowledge of UNIDO's activity sectors, the programmes it was carrying out and the types of enterprises and research institutions that were needed for such programmes.

119. **Mr. SANDIGA CABRERA** (Peru) said that the field representation programme, as the tangible expression of UNIDO's technical cooperation activities in the field, served to gauge the progress made with the reform and restructuring of the Organization. The revision of the responsibilities of UNIDO Country Directors, the reform of field offices, and the intense efforts made by the Director-General to mobilize alternative financing for field representation, were laudable efforts, but they were not enough. Member States should realize that the reform and restructuring process must not be confined to Headquarters at Vienna: specific results must be seen in the field. States should concretize their commitment to industrial development through the co-financing of field offices. His Government, for its part, would provide office facilities for UNIDO's field representation in Peru as from June 1996. Co-financing was certainly not the only way of contributing to reform and restructuring; the Director-General's proposal for the establishment of national industrial councils was an extremely important one.

120. In conclusion, he called on all Member States to help to strengthen field representation and confirmed his delegation's support for the draft decision on that subject that was to be submitted by the Group of 77.

121. **Mr. SHAH** (Pakistan), referring to document IDB.15/12 and Corr. 1, said that Pakistan appreciated the Secretariat's efforts to simplify and streamline the procedures for the field offices and to reorganize responsibilities with a view to maintaining the programme and increasing its efficiency despite the reduced availability of resources. UNIDO currently maintained about 30 fully staffed field offices, as against a target of 50. It was regrettable that the programme would have to be further cut to a total of only 20 staffed offices in the next biennium. Pakistan attached great importance to the presence of UNIDO field offices in countries to facilitate the implementation of UNIDO's programmes and activities. His Government was actively considering a proposal to share costs for the office in Islamabad; in that connection, he endorsed the proposal made by the representative of Turkey. Everything possible must be done to generate resources for maintaining a strong field representation programme.

122. **Mr. PEYRAT** (Paraguay) said the documentation before the Board revealed the efforts made by the Director-General to plan and implement the reform and restructuring process. Industrial development was essential to contemporary nations, and it was important that it should be promoted by an organization adapted to the times and streamlined to the maximum, with a far-reaching revision of priorities.

123. Through the work done in the Latin American Group, the close contact maintained with the Director-General and the Secretariat and the intensive discussion on specific programmes for the country, Paraguay had become convinced that a strong field representation was the most effective way to achieve real industrial development promotion. It supported the programmes for development of regions other than its own and called for due attention to be paid to programming for Latin America and the Caribbean.

124. **Mr. EFFENDI** (Indonesia) said that the field representation programme was instrumental in the success of technical cooperation projects and formed a bridge between the interests and priorities of the host country and resources available at UNIDO Headquarters. His delegation attached great importance to the sustainability of the field representation programme and believed that UNIDO should explore all possible avenues, including the deployment of responsibilities from Headquarters to field offices, as a means of overcoming the financial difficulties entailed by the cessation of UNDP funding as from 1 January 1998. In view of the scarcity of financial resources, it was appropriate that UNIDO should undertake a major restructuring of the field representation programme, including simplifying certain procedures and improving management and coordination.

125. The UCD in Jakarta had made valuable contributions in such areas as competitiveness in the manufacturing sector, human resources development, environmental technology and investment promotion. In view of those important contributions, his Government had decided to double its commitment to local support costs of the office from $25,000 in 1995 to $50,000 in 1996. The Indonesian Government had identified five regional offices for UNIDO counterparts with a view to facilitating cooperation among governmental authorities, and particularly between the Government and the private sector. It hoped that, with adequate financial and staff resources, the field offices would continue to act as a centre for the assessment of country situations, the preparation of UNIDO country support strategies and the formulation of integrated programmes.

The meeting rose at 1 p.m.